

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR AN ORDER AUTHORIZING)	CASE NO. 93-360
THE ISSUE OF SECURITIES)	

O R D E R

On September 27, 1993, Kentucky Utilities Company ("KU") filed an application seeking authority to issue and sell long-term debt in the form of First Mortgage Bonds or, in the alternative, preferred stock in one or more transactions during the twelve months following the Commission's Order authorizing such issuance, the aggregate principal amount of which together shall not exceed \$57,000,000. The interest rate applicable to the bonds would be fixed with a maturity of not more than 40 years from the nominal date of each series. The preferred stock may be issued with either fixed or variable dividend provisions. If variable dividend preferred stock is issued, KU may enter into an Auction Agent Agreement. Auction rate preferred stock is similar to ordinary fixed rate preferred stock except that the dividend rate is reset periodically.

The proceeds would be used to reduce KU's overall cost of capital on an after-tax basis by discharging or refunding KU's securities as follows:

1. To redeem and retire all of the outstanding 200,000 shares of the 7.84% series preferred stock issued in September 1972

at a price of \$101.50 per share. The series will be redeemed at \$101.50 per share for a total cost of \$20,300,000 plus accrued dividends pursuant to the applicable sinking fund provisions.

2. To redeem and retire all of the outstanding Series K, 7-3/8% First Mortgage Bonds issued in December 1972 at 101.75 percent face value. The entire bond issue will be redeemed at the call price of \$102.84 for a total cost of \$36,508,200 plus accrued interest to the date of redemption.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale of the above securities by KU are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are reasonably necessary and appropriate for such purposes, and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. KU be and it hereby is authorized to issue and sell up to \$57,000,000 of its First Mortgage Bonds or in the alternative preferred stock during the twelve months following the date of this Order. The securities will be sold in a public offering which may be made directly by KU with one or more purchasers or on a negotiated or competitive bid basis with one or more underwriters, investment bankers or agents, or in a private placement transaction utilizing the proper documentation.

2. With respect to First Mortgage Bonds and fixed or variable rate preferred stock, KU shall agree only to such terms

and conditions which will result in a positive net present value savings.

3. With respect to auction rate preferred stock, KU shall issue such stock only if the terms and conditions of such stock are consistent with the parameters as set out in its application. If auction rate preferred stock is issued, KU shall prepare on an annual basis an analysis of the relationship between such auction rate preferred stock and fixed rate preferred stock at the time of the analysis. Such analysis shall be available for Commission review on an annual basis, beginning with an initial calculation within 30 days after the closing of the financing approved herein.

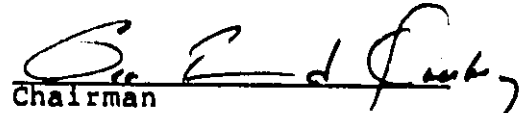
4. KU shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest or dividend rate(s), the purchasers, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution, and a statement of the net present value savings.

5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

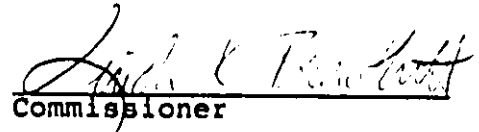
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 12th day of November, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director